GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2461
ANSWERED ON:07.12.2012
APPROVAL NORMS FOR FOREIGN BORROWING
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has eased proposes to be ease approval norms for foreign borrowings;

(b) if so, the details thereof;

(c) whether the Government has approved the operational features of the Rajiv Gandhi Equity Savings Scheme to attract first time investors to the stock market through a tax saving mechanism; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Yes sir. The policy pertaining to External Commercial Borrowings (ECBs) is periodically reviewed by the Government, in consultation with RBI. As per the extant ECB policy, ECB can be accessed under both the automatic and approval route. The limit of ECB under the automatic route in a financial year has been enhanced from USD 500 million to USD 750 million for corporates other than those in the hotel, hospital and software sectors. Similarly, the ECB limit for corporates in the services sector viz. hotels, hospitals and software sector have been enhanced from USD 100 million to USD 200 million or its equivalent in a financial year. Besides, a number of important steps have been taken to liberalise and rationalise the External Commercial Borrowings (ECBs) Policy in order to encourage availability of foreign funds with special thrust on infrastructure development. Some of these measures include: Contd..

i. Permitting ECB for refinancing of the Rupee loans for infrastructure sector to the extent of 25% of fresh ECBs;

ii. Allowing ECBs for low cost/affordable housing projects;

iii. Reduction in the rate of withholding tax from 20% to 5 % on interest payment on money borrowed in foreign currency;

iv. Permitting SIDBI as an eligible borrower for accessing ECB for on-lending to MSME sector;

v. Allowing ECB for capital expenditure on the maintenance and operations of toll systems for roads and highways

vi. Permitting ECB for working capital requirements of the airline industry and

vii. Introduction of a new window of ECB for companies in the manufacturing and infrastructure sector.

(c) & (d): Yes Sir. Pursuant to the Union Budget announcement of 2012-13, Government on 23rd November 2012 notified a new tax saving scheme called "Rajiv Gandhi Equity Saving Scheme" (RGESS), exclusively for the first time retail investors in securities market. This Scheme would give tax benefits to new investors who invest up to Rs. 50,000 and whose annual income is below Rs. 10 lakh. The investor would get a 50% deduction of the amount invested from the taxable income for that year. Under the Scheme, those stocks listed under the BSE 100 or CNX 100, or those of public sector undertakings which are Navratnas, Maharatnas and Miniratnas would be eligible. Follow-on Public Offers (FPOs) of the above companies would also be eligible under the Scheme. IPOs of PSUs, which are getting listed in the relevant financial year and whose annual turnover is not less than Rs. 4000 cr for each of the immediate past three years, would also be eligible. In addition, Exchange Traded Funds (ETFs) and Mutual Funds (MFs) that have RGESS eligible securities as their underlying and are listed and traded in the stock exchanges and settled through a depository mechanism have also been brought under RGESS.